TRACKING TRENDS

Banking Gains

Most top-performing financial funds this year are ahead of the S&P 500. Their average annual returns over the past three and five years also lead the index. Higher interest rates are expected to benefit banks.

Source: Morningstar Direct

U.S. financial ETFs, ranked by year-to-date returns through March 6 and screened for volume

ETF	Symbol	YTD	3-yr avg	5-yr avg	Expense ratio
SPDR S&P Regional Banking	KRE	9.1%	18.5%	17.7%	0.35%
iShares US Regional Banks	IAT	8.9	17.3	17.2	0.44
iShares US Broker-Dealers&Secs Exchs	IAI	8.1	18.6	20.9	0.44
First Trust Nasdaq Bank	FTXO	7.9			0.60
SPDR S&P Bank	KBE	7.9	17.0	15.9	0.35
PowerShares KBW Bank	KBWB	6.9	18.0	17.4	0.35
iShares US Financial Services	IYG	5.7	16.7	17.6	0.44
Vanguard Financials	VFH	3.8%	16.2%	16.3%	0.10%
Financial Select Sector SPDR	XLF	3.8	15.9	16.6	0.13
Fidelity MSCI Financials	FNCL	3.8	16.2		0.08
Guggenheim S&P 500 Eq Weight Fincl	RYF	3.6	15.8	16.8	0.40
iShares Global Financials	IXG	2.3	11.0	10.7	0.48
iShares MSCI Europe Financials	EUFN	2.2	5.6	6.7	0.48
S&P 500		**2.4**	**11.9**	**14.5**	

BEST ETFs 2018

STRATEGIST'S PICKS

Worried About The Recent Volatility In The Stock Market?

Remains 'In A Bullish Trend'

Churchill pro expects tech, large-cap growth to keep outperforming

BY NANCY GONDO
INVESTOR'S BUSINESS DAILY

The recent market volatility may have some investors running for the hills, but the overall picture is still bullish, according to Churchill Management Group.

The Los Angeles-based financial advisory firm, which oversees more than $5.2 billion in assets (as of Dec. 31), was founded by Fred Fern in 1963. Its tactical equity strategies utilize cash and cash equivalents during riskier periods, while its fully invested equity strategies stay the course through all market cycles. Churchill also offers combination equity, and fixed income strategies.

"We continue to see the stock market as being in a bullish trend driven by powerful corporate earnings and a strengthening economy," Churchill President Randy Conner told IBD. "Growth companies have been leading the charge with solid earnings performance. An estimated three-quarters of S&P 500 companies have reported EPS results better than analyst estimates and around 78% have done the same on the sales side. If the 78% number is the final Q4 tally for positive revenue surprises, it will mark the highest percentage in 10 years. Now that is a report card you are willing to show your parents!"

Here, in his own words, Conner explains why he is bullish on the stock market and offers three of his best ETF picks:

The recent cut in corporate tax rates and an uptick in consumer confidence should continue to boost profitability and drive further GDP growth.

Because of the strengthening economy, the market tide has been able to lift most boats, allowing many sectors to rally. Technology, though, has stood out as the one clear postelection sector leader, while energy, utilities and consumer staples have lagged. Growth stocks have been far superior to value plays, and large caps have outperformed small caps. At present, we expect those trends to continue.

Playing the broad market through diversified exchange traded funds has delivered solid results in this environment, particularly with ETFs that provide good exposure to large-cap leaders in tech and other top-performing sectors. Here are three we like now:

PowerShares QQQ Trust[QQQ]. Given that the technology sector continues to knock it out of the park, we like the Qs, which tracks the tech-heavy Nasdaq 100 index and provides an abundance of large-cap names.

In this rally, it has paid plenty to play the broader market rather than get overly focused on trying to pick individual winners. During the postelection rise, (sectors) outside of the technology leadership have seemed to zigzag in short-term spurts. Owning the Qs allows us to own exposure to the tech stocks, which have comprised the market leadership, while also providing reliable liquidity and good diversity. The QQQ has provided a smoother ride than owning shares in individual companies, allowing us to profitably participate in the uptrend without the individual stock risk. Even when volatility picked up back at the end of January, QQQ held up well based on the strength of its tech holdings.

Randy Conner

- President
- Churchill Management Group
- Conner expects corporate earnings and a strengthening economy to continue to drive the stock market.

IShares Russell 1000 Growth[IWF]. With growth stocks currently showing much stronger performance than a value approach, we like the prospects for this broad-based, large-cap ETF, which tracks the price and yield of the Russell 1000 Growth Index.

Weighted by market cap, the Russell IWF is comprised of America's largest publicly traded companies across virtually all industries. If the economy continues to grow and corporate earnings stay strong, as we expect, the companies on the Russell 1000 should continue to shine. Owning IWF shares will allow investors to profit from any broad-based market rally.

Additionally, with the market on the higher end of historic price/earnings ratios, value is hard to find. In order for the market to continue to perform without a setback, growth is going to need to continue to deliver. If it does, the IWF should participate nicely.

SPDR Financial[XLF]. For a more targeted approach outside of the technology arena we like the SPDR Financial, which tracks the S&P 500 Financial Select Sector index.

After a massive secular decline, interest rates have recently been moving higher. The Federal Reserve hiked rates three times in 2017 and is expected to raise them at least three more times this year. In the long run, this will be good for the big money centers as well as other financial sector stocks found in this ETF.

Because targeting the financials is playing more of a long-term trend, investors should keep their position in XLF at a size that can be tucked away for the long haul.